Annual Report

For Year Ending
December 31, 1985

Alberta
AUTOMOBILE INSURANCE BOARD

CCA-08.003

CONSUMER AND CORPORATE
AFFAIRS

Office of the Minister

104 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-2305

The Honourable Dr. David J. Carter
Office of the Speaker
Legislative Assembly of Alberta

Sir:

I have the Honour to submit the Annual Report of the Alberta Automobile Insurance Board for the year ending December 31, 1985.

Sincerely yours,

Elaine J. McCoy
Minister, Consumer and Corporate Affairs and
M.L.A. for Calgary West

Alberta
AUTOMOBILE INSURANCE
BOARD

22nd Floor, 10025 Jasper Avenue, Edmonton, Alberta, Canada T5J 3Z5 403/427-5428

The Honourable Elaine McCoy
Minister of Consumer & Corporate Affairs
Legislative Building
Edmonton, Alberta

Honourable Madam:

Pursuant to R.S.A. 1980, Chapter 1-5, the Insurance Act, Section 344(2), we respectfully submit herewith, the fourteenth report of the Alberta Automobile Insurance Board, for the year ending December 31, 1985.

.....
A.H. Wachowich, Chairman

.....
P.G. Galway

.....
J.M. Tweddle

.....
A.G. Eccles

ALBERTA AUTOMOBILE INSURANCE BOARD

1985 ANNUAL REPORT

The Alberta Automobile Insurance Board, constituted under subsection 338(1) of The Alberta Insurance Act, is empowered under section 339 thereof to investigate any matters it thinks fit respecting automobile insurance in Alberta, and to approve rates charged by insurers for compulsory automobile coverage under The Motor Vehicle Administration Act.

RATES

Insurers conducting business in Alberta are required by The Alberta Insurance Act to report their experience to a Canadian statistical plan, the results of which are compiled annually in a publication called the Green Book. The 1984 statistics in the Green Book, released in June 1985, and half-year update released in July 1985, were analyzed by the Board's actuarial consultant. These analyses were used in weighed proportions with the insurer's own statistics and those of insurance underwriting groups to establish a base for any rate maintenance or rate change to be considered by the Board. The inflationary trend factors present in the years 1979 to 1981, started to abate in 1982 and continued through 1983. The 1984 results were consistent with 1983.

MARKET

The beginning of the year was a continuation of 1984. There were selective rate increases, but the major activity was aimed at refinement of rating programs to retain and attract the preferred classes of business. Group Merchandising became an increasingly popular market strategy.

The second half of 1985 marked a trend toward premium increases. Restriction of market, of which there had been signs earlier in the year, became more evident. The situation is severe for some commercial classes.

The Facility Association is the industry's mechanism for providing insurance coverage to those consumers encountering difficulty in obtaining the same in the regular market. The Board monitors the Association's program of compulsory and physical damage coverage. The industry has vested interest in avoiding over-population of this program by placing the risks in the regular market or removing the risks when the same become acceptable to the regular market. Facility Association premium volume had continuously declined for each month compared to the previous year since June of 1983. That trend reversed beginning in June of 1985.

MEETINGS

In 1985, the Board held nine meetings during which 110 applications were examined. This number compares with 138 applications in 1984, 170 in 1983, 198 in 1982, 174 in 1981, 90 in 1980, and 81 in 1979. Of the twelve applications that were declined in 1985, three were appealed and three were reconsidered as new applications, resulting in lower premiums, particularly for underage classes.

LIAISON

Representatives of the Automobile Insurance Board met with the executive members of the following industry associations during 1985 in order to maintain dialogue with the industry's various component groups:

Insurance Bureau of Canada

Insurance Brokers Association of Alberta

Facility Association

Canadian Federation of Insurance Agents and Brokers

and also attended the conference for:

Association of Superintendent of Insurance of the
Provinces of Canada
International Insurance Seminar

These meetings occurred between February and September 1985.

INQUIRIES

Inquiries and complaints are monitored for unfair and inequitable rules and practices. Complaints are assessed for compliance with rates and rules, and are generally resolved by the provision of a detailed explanation. Appropriate action to rectify the disparity for the individual and/or the general public is taken by the Board. Of the 973 inquiries received by the Board office in 1985, 109 were redirected to other government departments.

BENEFITS

The Board supports the decision to increase the compulsory Third Party Liability limit from $100,000 to $200,000 as of January 1, 1986. The change places the compulsory limit in Alberta at a level at least equal to any other Canadian jurisdiction. However, the

Board recognizes the critical importance of adequate limits and continues to maintain its recommendation of a compulsory limit of at least $300,000 which would require a further increase of approximately 4% to the Third Party Liablility premium.

STAFF

Susan Steeves, B.A., F.I.I.C., continued as Administrator to the Board. Stella Schlagel has been employed with the Board as a clerk typist since October 1985.

MEMBERSHIP ON THE BOARD

There were no changes in Board membership during 1985.

GENERAL

The report of the Board's findings regarding The Use or Elimination of Age, Sex and Marital Status as rating criteria in Automobile Insurance Rating was submitted to the Minister in April. The question was not resolved in 1985, and with the passage of Order in Council 399/85 on June 19, 1985, the insurance industry was given

a further exemption to the Individual's Rights Protection Act as regards use of sex as a rating criteria, to expire on July 1, 1987.

The Board has expressed concern that age was not mentioned in the Order in Council, in view of changes to the Individual's Rights Protection Act passed prior to June 19, 1985.